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UNITED STATES DEPARTMENT OF AGRICULTURE  
PRODUCTION AND MARKETING ADMINISTRATION  
SHIPPING & STORAGE BRANCH

Procedure Notice

1.9422  
Tr 85h6  
Copy 4

Subject: SHIPPING AND STORAGE BRANCH MEMORANDUM NO. 36.4

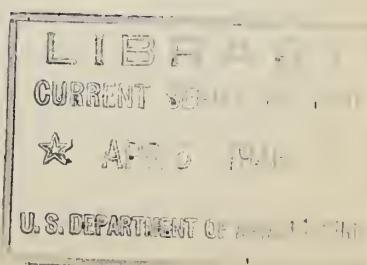
Notice: Effective immediately when a decision is made to sell lots under \$300 the procedure below should be followed in addition to the procedure already outlined in SSB Memo. 36.4. Reference to this insertion should be under item D-2 on page 5.

Insert: Item D-2 should now read:

If decision is made to sell, lots recommended for sale should be frozen, and the procedure below (Items V through X) should be followed. In addition, the Inspection and Maintenance Section, field, will prepare "Referral for Sale" Form SS-37 in an original and 9 copies for each lot recommended for sale.

- a. Form SS-37 should be prepared for signature of Chief, I&M Sec. and directed to Chief, SSB field office. Original must be signed by the Chief, I&M Sec. and carbon signature will be accepted on copies.
- b. Send 7 copies of each Form SS-37 to I&M Div., Washington where distribution will be made as follows:
  - 1 copy to IA Div. for earmarking the commodity lot in the inventory records
  - 1 copy to Claims Div. for their information and use in adjudication of any possible claims
  - 1 copy to I&M Div. for "Referrals for Sale" file and for checking overage and odd lot reports.
  - 1 copy to Pro. Opr. Div. for necessary adjustment in over-all availability records
  - 1 copy to Fiscal Branch for correlation with sales abstract

Distribution Codes "A" & "B"  
March 22, 1946



1 copy to Office of Assistant Administrator

1 copy to Commodity Branch concerned

H. O. Warlick  
H. O. Warlick, Director  
Shipping and Storage Branch

1.9422  
Tr 85h6

USDA-PMA  
S&S BR.

SALES PROCEDURE FOR CCC-OWNED COMMODITIES AND FOODS 36.4 Rev. 1

Storage  
Special Handling

I GENERAL

A Purpose - This procedure assigns responsibility and outlines the general procedure within the Shipping and Storage Branch (S&S Br.) for the disposition of CCC-owned foods and agricultural commodities.

B Scope - This statement of policies and the procedure following it are based on PMA Instruction 128.3, PMA Policies on the Disposal of CCC-Owned Commodities and Foods, dated December 13, 1945, and a memorandum from the Acting Assistant Administrator, dated 11/7/46.

II STATEMENT OF POLICIES

A Disposal Authorization

1 The Director of the S&S Br. may make disposition of lots in the three categories described in paragraph 3a, b, and c below.

2 The Director of the S&S Br. will undertake such operations when mutual agreement has been reached with the Director of the Commodity Branch concerned that the S&S Br. shall make such disposition.

3 A lot is defined as a quantity of any one commodity, of the same type of package, owned by CCC and stored in any one warehouse at any one time. The following is an enumeration of the lots mentioned in paragraph 1 above.

a Lots of insufficient size for normal program use or efficient storage, provided the value of the lot is less than \$300 based on "Schedule of Commodities and Sales Price Quotations" which indicates the prices at which sales are being made to claimant agencies.

b Lots which are unsuitable for continued storage because of condition, provided they have been referred by a Commodity Branch to the S&S Br. for disposition as salvage, or provided the value of the lot is less than \$300 as determined under (a) hereof.

c Lots requiring salvage, of whatever value, damaged by fire, flood, or other casualty, where it is necessary to segregate and/or recondition a portion or portions for sale or other disposition, and off condition lots which have been referred by a Commodity Branch to the S&S Br., Washington, to be sold as salvage.

(II)

B Methods and Practices

1 Fairness and Publicity - All disposals shall be conducted with fairness and publicity adequate to insure competition and best obtainable prices, and to insure that all interested parties in the general locality have the opportunity to participate. Ordinarily, commodities disposed of by the S&S Br. are not required to be included on priority lists and public food sales listings. However, it shall be the policy to give reasonable notice of sale to all interested parties.

2 Checks and Safeguards - All reasonable checks and safeguards shall be employed to prevent secretive and discriminatory disposals.

3 Terms of Disposal - Commercial sales shall be for cash. Sales to state and local governments shall be for cash or credit.

4 Competitive Bidding - It shall be the policy to obtain, whenever practicable, a minimum of three bids on every commodity for sale. However, when practicable and when the original vendor or processor is located in the immediate vicinity, the commodity shall first be offered to the original vendor or processor. If there identical bids are received, the successful bidder shall be determined by drawing lots or dividing the quantity among the bidders.

5 Government Regulations - All applicable statutes and Government regulations and orders shall be observed such as OPA maximum price regulations, Food and Drug regulations, state and local health regulations. A copy of the operating agreement with the Food and Drug Administration is attached. (see Exhibit A)

6 Inspection - Before disposition is made of any commodity for food uses, it shall have been inspected to determine fitness for human consumption. Those items unfit for human consumption shall be segregated and sold only for reconditioning, reprocessing, or for industrial or nonhuman food purposes. If a commodity is unsalable for any purpose, it shall be dumped.

## III SHIPPING AND STORAGE BRANCH RESPONSIBILITY

A Washington Authorization - The Director of the S&S Br. has been given the authority, subject to agreement with the commodity branches affected, to sell out-of-condition and odd lots up to \$300 and to sell salvage lots without limitation.

1 This agreement has been completed with the following branches: Fruit and Vegetable, Special Commodities, Poultry, Fats and Oils, Dairy (DA), Grain and Livestock.

## (III A)

Note: The agreement with the DA Branch authorizes the S&S Br. to make sales of commodities valued at \$100 or less, and, upon mutual agreement between the Director of S&S Br. and the Director of the DA Branch, to make sales of commodities valued between \$100 and \$300.

2 The Chief of the Field Management Division (FM. Div.), Washington, shall furnish the Maintenance Section (Ma. Sec.), field with necessary technical direction for effecting sales, and, upon advice for field offices, shall secure approval or disapproval of prospective sales of DA Branch commodities.

B Field Authorization

1 The Director of the S&S Br. hereby delegates authority to the Chiefs and Assistant Chiefs of the field offices to assume overall responsibility for effecting and approving sales in accordance with the requirements of this procedure.

2 The Chief, Ma. Sec., field, shall have operational responsibility for developing the sales to be made, and shall prepare such reports as may be required by the Chief of the field office or the Chief, FM. Div., Washington.

## IV DEVELOPMENT OF LOTS FOR SALE OR DONATION

A Awareness - The existence of lots for sale will result from:

1 Warehouse Inspection.

2 Out-of-Condition and/or Odd Lot Report, Form SS-7.

3 Notice from warehousemen of loss or damage as a result of an act of God.

4 Specific request from a Commodity Branch to the Washington Office of the S&S Br.

B Commodity Inspection - When removal action is indicated, records should be checked to ascertain the date of the most recent commodity inspection.

1 Necessary Inspection - Immediately prior to sale, commodity inspection shall be made if:

a Commodity is canned goods and if inspection has not been made and product found suitable for program use within the last 6 months.

b The commodity is one such as a grain product or dried fruit and if inspection has not been made within past 60 days.

## (IV B 1)

c There is any question as to the quality of the product or condition of the containers.

2 Not Necessary - Commodity inspection is not necessary if the commodity is to be used for other than human consumption.

3 Requesting Commodity Inspection - Requests for commodity inspection shall be made in the name of the Chief or Assistant Chief of the field office on Form SS-42, Request for Commodity Inspection to the appropriate field office of the commodity branch inspection service affected, in accordance with FMA Instruction 127.2 and S&S Instr. 36.6.

C Segregation - After commodity inspection is completed, and if a portion of the lot is deemed fit for human consumption, segregation shall be made under the supervision of either the commodity branch inspector or the S&S Br. agent, whichever is more expedient.

D Disposition Determination - After inspection is completed, and if commodity is deemed fit for human consumption, a decision shall be made as to whether to sell, or to donate to outlets designated by the Food Distribution Programs Branch.

1 If decision is made to sell, lots recommended for sale shall be "frozen," and the procedure described below in Items V through IX shall be followed. In addition, the Ma. Sec., field, shall prepare Form SS-37, Referral for Sale, in an original and 9 copies for each lot recommended for sale.

a Ex-order symbols and number shall be shown in the "Remarks" portion of Form SS-37 as identification of lots for sale.

b Form SS-37 shall be prepared for the signature of the Chief, Ma. Sec., and directed to the Chief, S&S Br., field office. Original must be signed by the Chief, Ma. Sec. Carbon signature will be accepted on copies.

c Send 7 copies of each Form SS-37 to FM. Div., Washington, where distribution will be made within the S&S Br. and to other appropriate offices within FMA.

2 If decision is made to donate, S&S Br. Instr. 36.5, Donation of CCC-Owned Commodities, shall be followed.

3 If the commodity is unfit for human consumption, it shall be dumped unless it may be used for stock feed, industrial purposes, or other nonhuman consumption uses. S&S Br. Instr. 20.1 - Rev. 1, Out-of-Condition and Part Lot Commodities, will be followed in dumping any commodity.

## V CONDUCT OF SALE

## A Authorization for Making Sale

1 The Chief and Assistant Chief are the only persons in any S&S Br. field office who have authority to sign contracts and amendments consummating sales.

a To the extent practicable, standard terms and conditions shall be used in all documents, but where not used the contract form shall be cleared with the regional attorney.

b While actual consummation of a sale, through signing of the contract or an exchange of wires, will be made by the Chief or Assistant Chief of a field office, it may be necessary in some instances to require the Chief of a suboffice, or an S&S Br. agent to assist in negotiating a sale or securing a purchaser. This may be true particularly when the commodity is located at a great distance from the field office. In any event responsibility for compliance with instructions governing sales rests with the Chief of the field office.

2 Every proposed sale shall bear an section number and shall be numbered consecutively with the following initials designated to precede the number:

SS-NE	for New York field office and its suboffices.
SS-NW	for Chicago field office.
SS-S	for Memphis field office and its suboffices.
SS-SW	for Dallas field office and its suboffices.
SS-J	for San Francisco field office and its suboffices.
SS-AK	for Atchison office (Natural Cooler Storage)

All documents shall be filed by action number until sale is consummated, at which time the sale contract number shall become the identification medium.

B Offerings - Sales may be made through issuances of numbered field office sales announcements or through negotiation. Bids solicited over the telephone, or in person, shall be confirmed in writing. In accordance with the policy of securing the greatest possible return to the Government, a contracting officer may reject all bids and call for new bids if he believes the original bid are too low and that sale can be made at a higher price.

## 1 Announcements of Sales

a Sales announcements shall be used only when a commodity is of sufficient value to justify the use. All conditions covering a sale, such as a complete description of the commodity, quantity, location, quality, delivery basis, and other terms of sale, shall be included in the announcement. PMA Instruction 128.15 prescribes a standard CCC format for such announcements. An offer by a bidder and an acceptance by CCC constitutes a valid contract in which all terms of the announcements are made a part.

(V B)

b Wires of offer and acceptance, other than announcements, must state "offer made subject to terms of announcement number \_\_\_\_."

c Each field and suboffice shall develop a mailing list of purchasers for each group of commodities. When announcements are used they should be distributed widely by the Area Administrative Services Division to interested parties or trade groups in the area where the commodity is stored.

2 Negotiations for Sales - Sales not made on an announcement basis shall be consummated by using Form PMA-140, Negotiated Sales Contract. This form shall be used even though it may be advisable in many instances to conduct preliminary negotiations by phone, letter, or in person. In emergency situations it will be permissible to complete a sale based on an exchange of telegrams in which certain primary conditions of sale are outlined such as: Commodity, quantity, quality, price per unit, warehouse and lot number, delivery basis (e.g. "as is where is"), responsibility for storage charges, and ration points if any.

C Collection of Sales Proceeds

1 Purchaser Responsibility

a Payment shall be made by certified check, to the order of the "Commodity Credit Corporation."

b Within 3 days of acceptance of the offer, check shall be forwarded to the Area Fiscal Office covering the location of the commodity. A letter of transmittal shall indicate the following:

- (1) Contract number
- (2) Name of vendor
- (3) Commodity
- (4) Announcement number if any

c If sale was made to a political subdivision, payment will be made after billing by the Area Fiscal Office.

2 Fiscal Branch Responsibility - Immediately upon receipt of a certified check the Area Fiscal Office will notify the contracting officer that payment has been received.

VI DOCUMENTATION

A Contract - Each contract shall be assigned contract symbols and number in accordance with PMA Instruction 455.1. The Area Fiscal Office will supply a block of contract numbers to each field office.

(VI A)

1 Announced Sales

a Wires and letters of offer and acceptance under announcements shall be distributed as follows:

(1) Offer: The actual offer (either wire or letter) with 2 signed or certified copies shall be sent to the Area Fiscal Office.

1 signed or certified copy to the purchaser.

1 signed or certified copy shall be retained by the contracting office..

(2) Acceptance: 3 signed or certified copies of the wire or letter of acceptance shall be sent to the Area Fiscal Office.

1 signed or certified copy shall be retained by the contracting office.

(3) Amendments: The same distribution shall apply to amendments to contracts.

b Sales made through exchange of wires without use of contract Form PMA-140 require the same distribution of copies of offer and acceptance as in sales under announcements.

2 Negotiated Sales - An original and 5 signed or certified copies of each sale contract, Form PMA-140, shall be prepared and distributed as follows:

Original and 2 copies shall be sent to the Area Fiscal Office.

1 copy to the purchaser.

1 copy shall be retained by the contracting offic.

B After receipt of check in payment and in the exact amount of sale, or on consummation of credit sales to political subdivisions, the field office executing contracts is responsible for the preparation of abstracts of contracts and amendments to contracts upon master ditto forms in accordance with FMA Instructions 127.1 and S&S Instr. 42.1 Rev. 2.

C Warehouse Notice to Deliver, Form CCC-107 - After preparation of the sales abstract, the field office which executed the sales contract shall prepare and distribute copies of a ..arehouse Notice to Deliver, Form CCC-107, in accordance with S&S Br. Instr. 39.9 Rev. 1 Order Preparation and Distribution. 1/

Becomes effective March 3, 1947. Existing "order" and N/D instructions should be followed prior to March 3, 1947.

(VI)

D Consignee's Receipt, Form CCC-108 - After receipt of notification from the Area Fiscal Office that payment has been received, and after preparation of the abstract for each sale consummated, the S&S Br. field office which executed the sales contract shall prepare and distribute copies of a Consignee's Receipt in the following manner:

1 F.O.B Origin Sales

a Preparation: Original and 6 copies

b Distribution by Warehouse:

Original and 1 copy - Area Fiscal Office covering the point of transfer of title for the commodity.

1 copy - S&S Br. office covering the point of transfer of title for the commodity.

1 copy - Claims Div., S&S Br., Wash., except in NY field office territory, in which case, this copy will be sent to the Claims Sec., NY.

1 copy - Consignee.

1 copy - Warehouse, to support voucher for servicing the commodity.

1 copy - Warehouse, for files.

2 F.O.B Destination (Continental) Sales

a Preparation: Original and 4 copies

b Distribution by Destination Office:

Original and 1 copy - Area Fiscal Office covering the origin point of the commodity.

1 copy - Destination S&S Br. office for records and files.

1 copy - Claims Div., S&S Br., Wash., except in NY field office territory, in which case this copy will be sent to the Claims Sec., NY.

1 copy - Consignee.

VII REPORTS

A Reports of Abstracts Issued - Field offices preparing abstracts and amendments to contracts shall furnish the Budget and Management Branch, Washington, with a weekly report of all abstracts, amendments, corrections, and supplements issued during the reported period (Monday through Friday), as prescribed in PMA Instructions 127.1. This report shall be made on Form PMA-283, Check List of Abstracts and Related Documents.

(VII)

B Status Reports

1 Field Offices shall prepare a weekly report of all commodities sold and the status of all commodities being offered for sale. This report shall be sent to the Chief, FM. Div., Washington and will contain the following major breakdowns:

a Commodities sold and for which payment has been received.

b Commodities on which sales negotiations are being made.

c Commodities on which sales announcements have been, are being, or will be issued.

2 The report shall include the following details of information:

a On commodities sold:

(1) Contract number

(2) Purchaser

(3) Commodity

(4) Quantity

(5) Price

(6) Sales action number

(7) Date Sold

b On commodities not sold:

(1) Commodity

(2) Quantity

(3) Sales action number, if any

(4) Date of announcement

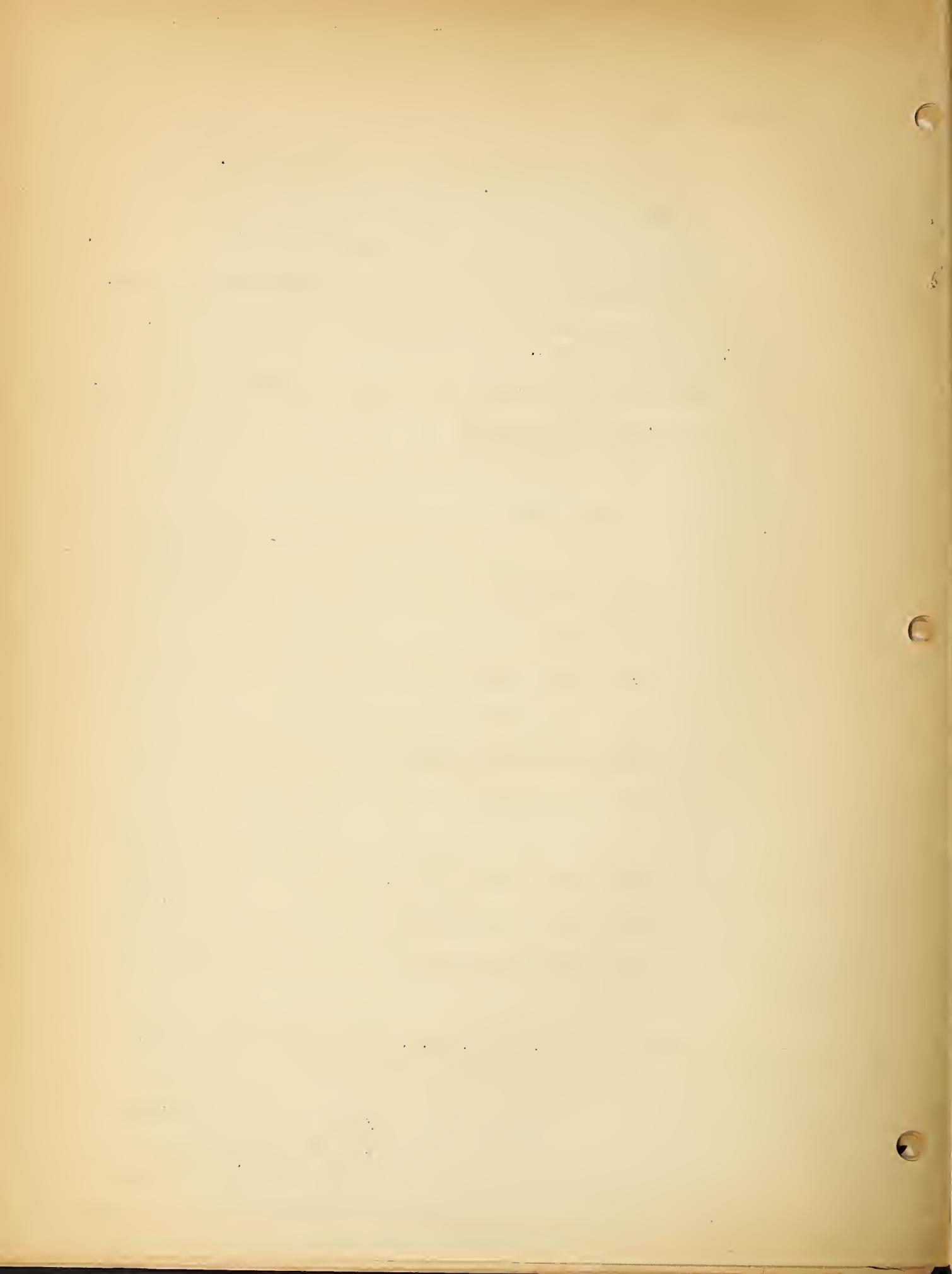
(5) Action being taken

## VIII SUPERSEDING INSTRUCTION

This Instruction supersedes S&S Br. Instr. 36.4, dated 1/4/46, same title, and all amendments thereto and becomes effective immediately.



H. O. Marlick, Director  
Shipping and Storage Branch



MEMORANDUM OF AGREEMENT BETWEEN THE OFFICE OF SUPPLY  
(CCC) AND THE FOOD AND DRUG ADMINISTRATION

In connection with the procurement, storage and distribution of food-stuffs, the Office of Supply (CCC) finds it necessary to dispose of some products which, in whole or in part, have become adulterated or misbranded\* within the meaning of the Food, Drug, and Cosmetic Act. Such lots will be brought into conformity with the requirements of the Federal Food, Drug, and Cosmetic Act before they are disposed of by the Office of Supply (CCC). The Office of Supply (CCC) in order to comply with the Food, Drug, and Cosmetic Act, will handle proposed sales or other disposition of such foods as follows:

1. Before any lot of food is offered for sale, an up-to-date report of its condition will be obtained from the appropriate War Food Administration Inspection Division (unless there is already available information to show that the product is in whole or in part unfit).

2. If the lot is found to be in good condition and properly labeled, it will be sold or otherwise disposed of.

3. In the case of canned foods found to contain swells, leakers or cans of food which are decomposed for any reason whatsoever, a determination will be made by the Office of Supply (CCC), preferably at the time of inspection, as to whether there are good cans in the lot in sufficient quantity to warrant segregation of the good from the bad. If such a segregation is believed to be practical, it will be done by the Office of Supply (CCC) or under its immediate supervision. Title to the goods shall remain in Office of Supply (CCC) until the segregation is completed. The Office of Supply (CCC) will destroy or denature the unfit portion.

Wherever possible, the segregation will be conducted at point of sale. Where extraordinary circumstances necessitate moving the goods before segregation, this movement is to be performed by the Office of Supply (CCC).

4. Dry foods, such as dried eggs, peas, beans and cereal products, which have become insect infested, contaminated with rodent filth or otherwise damaged, are not suitable for indiscriminate sale, but must be offered solely for use as animal feed or non-food uses provided, that determination will be made in individual cases by the Office of Supply (CCC) and the Food and Drug Administration (except where rodent filth is involved) as to whether or not the lot is suitable for re-cleaning, in which case such food may be recleaned and sold in human consumption channels: provided further, that any other foods which may be brought into compliance with the Food, Drug, and Cosmetic Act, may be handled in the same manner. The Office of Supply (CCC) is to assume responsibility for the denaturing or recleaning of these products, as the case may be, before title passes. Denaturing may be performed:

\*NOTE: See Section 402 and 403 of the Federal Food, Drug & Cosmetic Act.

(a) By Office of Supply (CCC) at point of sale.

(b) By using directly in the manufacture of a finished animal feed (containing ingredients which would be obnoxious as human food) under continuous supervision of the Office of Supply (CCC). Any shipment made before denaturing is to be by the Office of Supply (CCC) with retention of title.

5. Where canned foods in good condition are found to be substandard in quality but bear labels which do not contain the proper substandard legend as required under the Federal Food, Drug, and Cosmetic Act, Office of Supply (CCC) will assume responsibility for proper relabeling under the supervision of the Office of Supply (CCC); provided, that in the case of commodities distributed through relief channels, a determination as to whether or not relabeling shall be required, will be made jointly by the Office of Supply (CCC) and the Food and Drug Administration. In cases where it is determined that such food must be relabeled, title will not pass until such relabeling has been completed.

6. Normally the sale of unlabeled canned goods in good condition will provide for the application of proper labels under supervision of Office of Supply (CCC) before title passes, but this will not be the case where the agreement provided by regulations under Section 405 of the Food, Drug, and Cosmetic Act is applicable, or where the commodities are distributed to charitable institutions for direct consumption.

Other procedures which will be followed are:

A. When Office of Supply (CCC) rejects any food product to a warehouse or transportation company because of damage during storage or shipment, report of such rejection and reason therefor will be transmitted to Food and Drug Administration by Office of Supply (CCC) in the form of a copy of the notice of rejection issued by Office of Supply (CCC) to the carrier or warehouse, as the case may be.

B. When vendors offer the Office of Supply (CCC) deliveries of food which are subsequently rejected by Office of Supply (CCC) for reasons which might cause the product to be classed as in violation of the Federal Food, Drug, and Cosmetic Act, the fact of such rejections and the reasons therefor will be transmitted to the Food and Drug Administration by the Office of Supply (CCC).

C. When in connection with routine activities, inspectors of the Food and Drug Administration encounter stocks of Office of Supply (CCC) commodities which appear to have become adulterated, or which in the opinion of the inspectors may soon become unfit unless an improvement of storage conditions is made, the facts will be promptly reported to Office of Supply (CCC) by the Food and Drug Administration.

D. When the Food and Drug Administration learns that the Office of Supply (CCC) is purchasing or contemplates the purchase of any food which the Food and Drug Administration believes to be in violation of the Food, Drug, and Cosmetic Act, Office of Supply (CCC) will be notified promptly.

E. While the Food and Drug Administration cannot, other than in exceptional cases, undertake the analysis of foods which are to be sold by Office of Supply (CCC), the Washington office and field station personnel of Food and Drug Administration will be of every assistance possible to Office of Supply (CCC). Whenever any question arises regarding the legality of any lot of food, the Food and Drug Administration will, when requested to do so, consider the problem on the basis of the facts available and advise accordingly. The same will apply to questions involving the suitability of various denaturants.

F. Field representatives of the Sales Branch of Office of Supply (CCC) and Food and Drug Administration will make it a point to consult each other from time to time and will freely discuss problems of mutual interest.

7. The Office of Supply (CCC) and the Food and Drug Administration each will name a representative and an alternate who shall have sole authority over all questions of interpretation of this agreement. Such interpretations shall be made jointly.

8. This agreement, and operations thereunder, shall be subject to periodic review, and, if appropriate, amendment designed to improve the operations hereunder on the part of the respective agencies.

/s/ Ralph W. Olmstead  
Ralph W. Olmstead  
Director, Office of Supply (CCC)

/s/ P. E. Dunbar  
P. E. Dunbar  
Commissioner of Food and Drugs

Date February 26, 1945

NOTE ALTHOUGH THIS AGREEMENT WAS MADE BETWEEN THE OFFICE OF SUPPLY (CCC) AND THE FOOD & DRUG ADMINISTRATION, IT IS APPLICABLE TO THE PRODUCTION AND MARKETING ADMINISTRATION UNTIL SUCH TIME AS A NEW AGREEMENT IS DRAWN.

